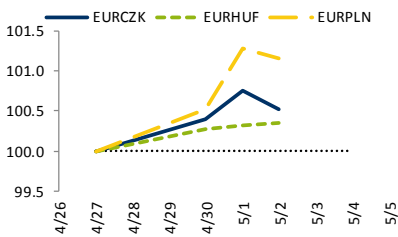




**Central Europe**  
Wednesday

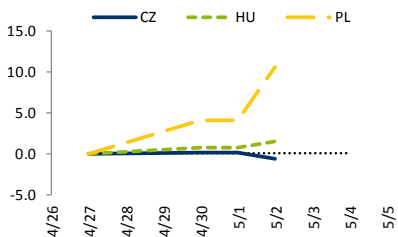
Wednesday, 02 May 2018

**Forex markets (index)**



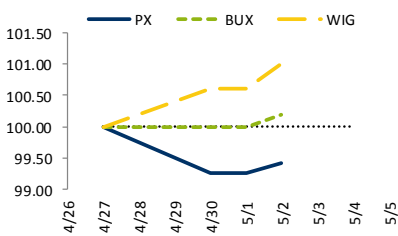
|        | LAST  | PREVIOUS | CHANGE (%) |
|--------|-------|----------|------------|
| EURCZK | 25.62 | 25.68    | -0.23      |
| EURHUF | 313.9 | 313.9    | 0.02       |
| EURPLN | 4.268 | 4.272    | -0.11      |

**Gov. bonds 10 Y (bps change)**



|          | LAST  | PREVIOUS | CHANGE (bps) |
|----------|-------|----------|--------------|
| CZGB 10Y | 1.704 | 1.712    | -0.8         |
| HUGB 10Y | 2.54  | 2.53     | 0.3          |
| PLGB 10Y | 3.14  | 3.07     | 2.1          |

**Equity indices (index)**



|     | LAST   | PREVIOUS | CHANGE (%) |
|-----|--------|----------|------------|
| PX  | 1117.6 | 1115.9   | 0.15       |
| BUX | 38373  | 38296    | 0.20       |
| WIG | 60168  | 59932    | 0.39       |

**Our regional insights:**

**Czech crown awaiting the CNB's meeting**

The Czech crown has come under pressure from rising US interest rates, which have pushed a number of emerging markets where large amounts of speculative capital are still "parked" into the defensive. In addition, at the end of April, the crown was hurt by the upcoming holidays, which reduced liquidity, as Czech exporters were missing from the market. Finally, news on the possible reduction of transfers from the future EU budget to central European countries did not help their currencies, as well.

In the next fourteen days, the CNB's meeting will outline the future path for the Czech crown. Although the central bank will not raise interest rates, it will have to rewrite its inflation forecast as well as the crown exchange rate. Inflation should be lower this year but higher in 2019. On the contrary, the CNB's expected crown exchange rate will probably be slightly weaker. This is also why the forecast could indicate one rate increase at the turn of this year and next year. In our baseline scenario, we are counting on one more increase in the CNB's repo rate this year (in 4Q). If the meeting of the CNB Bank Board is in this spirit it can give the crown some backing and therefore erase some of the losses.

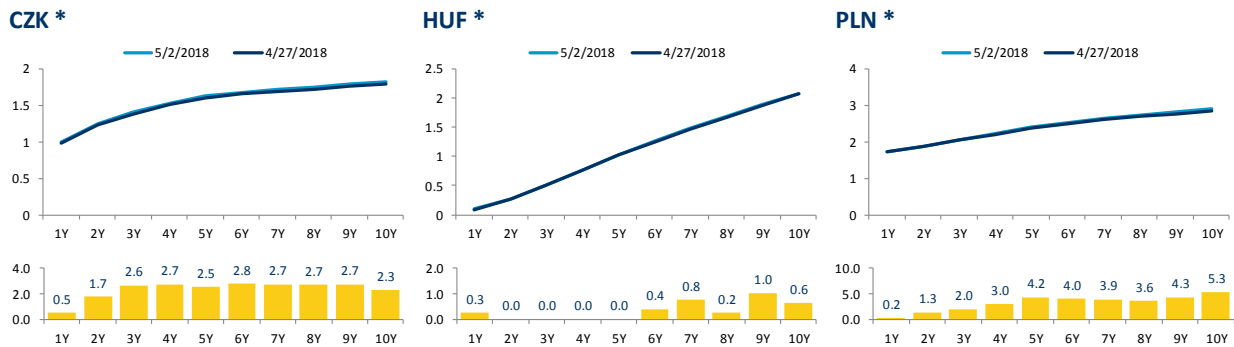
On the other hand, if on the global markets, in light of the new macro numbers and Fed meetings, US interest rates continue to rise, the crown will not be pleased. Similarly, the result of the technical analysis may not help the crown, especially if the return of exporters from "extended weekends" does not take the EUR/CZK currency pair back below the 25.50 threshold.

**CZK/EUR**

(Source: Reuters)



## Interest-rate Swap Curves



\* upper plot in each panel shows interest swap curve (%), lower plot shows change in interest rates in basis points (against previous Friday).

## Calendar

| Country | Time  | Indicator                 | Period           | Forecast |     | Actual |     | Consensus |     | Previous |     |
|---------|-------|---------------------------|------------------|----------|-----|--------|-----|-----------|-----|----------|-----|
|         |       |                           |                  | m/m      | y/y | m/m    | y/y | m/m       | y/y | m/m      | y/y |
| HU      | 0:00  | Earnings Opus Global Nyrt | HUF 1Q/2018      |          |     |        |     |           |     |          |     |
| PL      | 9:00  | PMI manufacturing         | 04/01/2018       |          |     | 53.9   |     | 53.2      |     | 53.7     |     |
| HU      | 9:00  | PMI manufacturing         | 04/01/2018       |          |     | 53.3   |     | 57        |     | 57       |     |
| CZ      | 9:30  | PMI manufacturing         | 04/01/2018       |          |     | 57.2   |     | 57        |     | 57.3     |     |
| PL      | 10:00 | CPI                       | % 04/2018 *P     |          |     | 0.5    | 1.6 | 0.4       | 1.4 | -0.1     | 1.3 |
| CZ      | 14:00 | Budget balance            | CZK B 04/01/2018 |          |     |        |     |           |     | 16.3     |     |
| HU      | 9:00  | Trade balance             | EUR M 02/2018 *F |          |     |        |     |           |     | 838      |     |
| HU      | 9:00  | PPI                       | % 03/01/2018     |          |     |        |     |           |     | 0.8      | 3.9 |
| CZ      | 13:00 | CNB meeting               | % 05/01/2018     | 0.75     |     |        |     | 0.75      |     | 0.75     |     |

## Contacts

| Brussels Research (KBC)           |                  | Global Sales Force |                  |
|-----------------------------------|------------------|--------------------|------------------|
| Mathias van der Jeugt             | +32 2 417 51 94  | <b>Brussels</b>    |                  |
| Peter Wuyts                       | +32 2 417 32 35  | Corporate Desk     | +32 2 417 45 82  |
| Mathias Janssens                  | +32 2 417 51 95  | Institutional Desk | +32 2 417 46 25  |
| <b>Dublin Research</b>            |                  | France             | +32 2 417 32 65  |
| Austin Hughes                     | +353 1 664 6889  | London             | +44 207 256 4848 |
| Shawn Britton                     | +353 1 664 6892  | Singapore          | +65 533 34 10    |
| <b>Prague Research (CSOB)</b>     |                  | <b>Prague</b>      | +420 2 6135 3535 |
| Jan Cermak                        | +420 2 6135 3578 | Prague (Equities)  | +420 2 2142 4216 |
| Petr Dufek                        | +420 2 6135 3560 |                    |                  |
| <b>Bratislava Research (CSOB)</b> |                  | <b>Bratislava</b>  | +421 2 5966 8820 |
| Marek Gabris                      | +421 2 5966 8809 |                    |                  |
| <b>Budapest Research</b>          |                  | <b>Budapest</b>    | +36 1 328 99 85  |
| David Nemeth                      | +36 1 328 9989   |                    |                  |

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